

**The Citadel  
The Military College of South Carolina  
Charleston, South Carolina**

***Independent Accountant's Report on Applying  
Agreed-Upon Procedures for the College's  
Intercollegiate Athletics Program***

***For the year ended June 30, 2013***



**Independent Accountant's Report  
on Applying Agreed-Upon Procedures**

The Members of the Board of Visitors  
The Citadel, The Military College of South Carolina  
Charleston, South Carolina

We have performed the procedures enumerated below, which were agreed to by the Board of Visitors and management of The Citadel, The Military College of South Carolina ("The Citadel"), solely to assist the Citadel's management in determining compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 3.2.4.16 for the year ended June 30, 2013. The Citadel is responsible for its Statement of Revenues and Expenditures of The Citadel's Intercollegiate Athletics Program (the "Statement") for the year ended June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. We obtained the Statement for the year ended June 30, 2013, as prepared by management. We recalculated the mathematical accuracy of the amounts on the Statement and agreed the amounts to The Citadel's general ledger.

We found such amounts to be in agreement.

2. We confirmed directly with responsible officials of The Citadel Brigadier Foundation the amount of contribution revenue remitted to The Citadel for the year ended June 30, 2013. We compared the amount of contribution revenue confirmed in writing by The Citadel Brigadier Foundation ("TCBF") with the amount recorded for the year ended June 30, 2013.

We found that the amount per the confirmation was in agreement with the amount recorded in the general ledger.

3. We requested from management a schedule of capital asset additions of The Citadel's Intercollegiate Athletics Program, summarized by type, for the year ended June 30, 2013.

We found the amount of additions per the capital asset schedule and the general ledger to be in agreement. Refer to Notes 4 & 5 to the Statement for additional information regarding capital asset additions during the year.

4. We scanned a detailed schedule of contributions for individual contributions that constituted more than ten percent of the contribution revenue in the Statement.

We found one individual contribution that constituted more than ten percent of the contribution revenue included in Attachment A. The contribution was from TCBF.

5. We obtained the reconciliation of revenue from football ticket sales between the general ledger and The Citadel's Point of Sale Summary Report for the year ended June 30, 2013. We compared such revenue amount to the amount recorded in the Statement.

We found such amounts to be in agreement.

6. For contribution revenue, we compared the amount per the general ledger to the corresponding amount in the Statement.

We found contribution revenue reported in Attachment A and the general ledger were in agreement.

7. For guarantees revenue and expenditures, we obtained a detail schedule of the revenue and expenditures reported and compared the amounts per the detail to the corresponding amount in the Statement. We compared all individual amounts in the detail to amounts on the guarantee contracts.

We found guarantee revenue and expenditures reported in Attachment A and the detail schedule total to be in agreement, and we found such amounts to be in agreement with the supporting contracts.

8. We obtained a schedule of royalties, advertisement, and sponsorships revenue and compared the total amount per the detail to the corresponding amount in the Statement.

We found royalties, advertisement, and sponsorships revenue reported in Attachment A and the detail schedule to be in agreement.

9. We obtained a report from The Citadel detailing the direct institutional support revenue recorded by The Citadel for the year ended June 30, 2013. We recalculated the mathematical accuracy of the direct institutional support revenue amounts per the report provided by The Citadel and agreed the amounts included in the calculation to the general ledger. We compared the total direct institutional support revenue in the report provided by The Citadel to the corresponding amount in the Statement.

We recalculated direct institutional support revenue reported in Attachment A and found the calculation to be in agreement with the general ledger.

10. We compared the amount of student fees reported on the Statement with the amount of student fees recorded by The Citadel on the general ledger.

We found students fees reported in Attachment A and the general ledger to be in agreement.

11. We obtained a detail listing of coaching salaries and benefits and support staff/administrative salaries and benefits paid by The Citadel for the year ended June 30, 2013. We compared the total expenditures for coaching salaries and benefits and support staff/administrative salaries and benefits paid by The Citadel per the detail listing to the corresponding amounts in the Statement and the amounts recorded in The Citadel's general ledger.

We found coaching salaries and benefits expense and support staff/administrative salaries and benefits expense reported in Attachment A and the general ledger to be in agreement with the detail.

12. We requested agreements related to The Citadel's participation in revenues from broadcast, television, radio and internet rights to gain an understanding of the relevant terms and conditions.

Management represented to us that there were no broadcast, television, radio or internet rights revenue during the current year because of the contract with Daktronics discussed in Note 6 to the Statement.

13. We obtained, compared and agreed revenues from a detailed schedule of program sales, concessions, novelty sales and parking to The Citadel's general ledger and the Statement for the year ended June 30, 2013. We haphazardly selected a sample of ten receipts (listed below) from the detailed schedule and agreed to supporting documentation (e.g. deposit slip, receipt summary, etc).

| <u>Account No.</u> | <u>Organization No.</u> | <u>Document No.</u> | <u>Date</u> |
|--------------------|-------------------------|---------------------|-------------|
| 560400             | 70011                   | F0004448            | 02/06/2013  |
| 560400             | 70011                   | F0003960            | 10/05/2012  |
| 560400             | 70020                   | F0004006            | 10/18/2012  |
| 560875             | 70020                   | F0003851            | 09/05/2012  |
| 560400             | 70030                   | F0004579            | 03/14/2013  |
| 560400             | 70030                   | F0004417            | 01/30/2013  |
| 561000             | 70030                   | F0004536            | 03/04/2013  |
| 561000             | 70040                   | F0004668            | 04/09/2013  |
| 561000             | 70040                   | F0004490            | 02/18/2013  |
| 560400             | 70070                   | F0003960            | 10/05/2012  |

We found amounts from the cash receipts sampled above to be in agreement with supporting documentation.

14. We requested sports camp contract(s) between The Citadel and person(s) conducting sports camps or clinics and inquired of management regarding the methodology for recording revenues from sports camps. We then summarized management's response below.

Per inquiry of management, The Citadel does not have contracts for sports camps. Coaches can use the facilities of The Citadel for a set rate per participant. We were provided with a copy of the rate schedule. All campers are charged \$6 per day for facilities use. Additional fees, including room and board, are charged if other services are provided to campers. No additional procedures were performed based on information provided.

15. We obtained a listing of students who received athletic student aid during the year ended June 30, 2013. We haphazardly selected a sample of five students that received athletic student aid. For each selection, we obtained the individual student account detail and compared total aid allocated from the related approved award to the student's account.

We found all awarded amounts to be in agreement with the aid allocated to the student's account.

16. We requested a listing of coaches employed by third parties during the year ended June 30, 2013.

Management informed us that no coaches were employed by third parties during the year ended June 30, 2013. No additional procedures were performed based on information provided.

17. We requested a listing of athletic department employees receiving severance payments from The Citadel during the year ended June 30, 2013.

Management informed us that no severance payments were paid by The Citadel during the year ended June 30, 2013. No additional procedures were performed based on information provided.

18. To determine the existence of The Citadel's recruiting expense and travel expense policies, we obtained The Citadel's policies from management.

Management provided us with The Citadel's recruiting expense and travel expense policies. The Citadel's policies can also be found on their website ([www.citadel.edu](http://www.citadel.edu)).

19. We compared actual revenues and expenditures in the Statement for the year ended June 30, 2013 to the amounts for the year ended June 30, 2012. We identified actual variances of greater than ten percent and \$25,000 from the year ended June 30, 2012 amounts and obtained the following explanations from The Citadel's management regarding reasons for the variances. We performed no additional procedures related to management's responses.

#### **Revenues:**

**Ticket sales** – Ticket sales decreased by \$112,023 or 13%, compared with the fiscal year ended June 30, 2012. The decrease is largely due to decreased attendance for football games due to fewer home rivalry games in 2013 than 2012. Basketball ticket sales also declined in 2013 since there were fewer home games and no significant marquis games to draw attendance like there were in 2012.

**Guarantees revenue** – Guarantees revenue increased by \$77,020 or 16%, compared with the fiscal year ended June 30, 2012. The increase is primarily due to a larger guarantee in 2013 from the marquis football game compared to the marquis football game in 2012. In addition, more guarantees were received for basketball in 2013 than 2012.

**Contributions** – Contributions increased \$156,405 or 11%, compared to the fiscal year ended June 30, 2012. The variance is primarily due to increased contributions for football and baseball and funding from The Citadel Foundation and TCBF for non-program specific activities.

**NCAA/Conference Distributions** – NCAA/Conference Distributions increased \$66,556 or 14%, compared with fiscal year ended June 30, 2012. The variance is primarily due to an increase in SoCon Special Assistance distributions for Non-Program specific funding.

#### **Expenditures:**

**Guarantees** – Guarantees decreased \$31,026 or 43%, compared with fiscal year ended June 30, 2012. The decrease is largely attributable to a smaller football guarantee paid to a University close to Charleston in 2013 compared to a larger guarantee paid to a University in Florida in 2012.

**Expenditures, continued:**

**Team Travel** – Team travel increased \$101,769, or 17%, compared with fiscal year ended June 30, 2012. The increase is largely due to football, volleyball, and wrestling travel to more away games at farther destinations in 2013 compared to 2012.

**Equipment, uniforms and supplies** – Equipment, uniforms and supplies decreased by \$138,987, or 20%, compared with the fiscal year ended June 30, 2012. The decrease is primarily related to basketball and baseball where new uniforms and video equipment were purchased in the prior year.

**Other operating expenses** – Other operating expenses decreased by \$65,449 or 10%, compared to the fiscal year ended June 30, 2012. The decrease is primarily related to a decrease in football where a purchase of the CoachComm system and related implementation was made in the prior year. In addition, there were fewer home games in 2013 requiring fewer contractual services from various vendors (security, medical, transportation, janitorial, etc.).

20. Twenty daily deposits from the Intercollegiate Athletic Program for the year ended June 30, 2013 were haphazardly selected from the daily receipt reports in The Citadel's Treasurer's office. Each of the selected daily cash receipts was compared to validated deposits slips.

| <u>Account Index</u> | <u>Document No.</u> | <u>Date</u> |
|----------------------|---------------------|-------------|
| 210330               | F0004001            | 10/18/2012  |
| 210290               | F0003960            | 10/08/2012  |
| 353950               | F0004006            | 10/19/2012  |
| 210930               | F0004181            | 11/30/2012  |
| 348010               | F0004216            | 12/10/2012  |
| 210330               | F0003872            | 09/12/2012  |
| 210310               | F0004043            | 10/31/2012  |
| 210450               | F0004377            | 01/22/2013  |
| 210450               | F0004490            | 02/19/2013  |
| 210530               | F0004651            | 04/05/2013  |
| 210530               | F0004596            | 03/21/2013  |
| 210930               | F0004395            | 01/25/2013  |
| 210050               | F0004001            | 10/18/2012  |
| 210050               | F0004165            | 11/27/2012  |
| 210530               | F0004579            | 03/15/2013  |

We found no exceptions as a result of these procedures.

21. We haphazardly selected twelve employees paid from the Intercollegiate Athletic Program for the year ended June 30, 2013. For each of these employees, we compared the disbursed amount to the authorized amount per pay period. In determining the authorized amount per pay period, we divided the approved annual salary as listed on either the signed employee contract or most recent salary adjustment form provided by management by the number of pay periods in the year.

We found the disbursed amounts to be in agreement with the authorized amounts.

22. We haphazardly selected thirty cash disbursements for the Intercollegiate Athletic Program for the year ended June 30, 2013. For each of these thirty disbursements, we compared the disbursed amount and payee information to supporting documentation (i.e. receipts, invoices and acknowledgement of receipt).

| <u>Document No.</u> | <u>Date</u> |
|---------------------|-------------|
| I0035464            | 08/31/2012  |
| I0035683            | 09/05/2012  |
| I0035684            | 09/07/2012  |
| I0063100            | 09/20/2012  |
| I0036464            | 10/02/2012  |
| I0036631            | 10/05/2012  |
| I0036901            | 10/16/2012  |
| I0037039            | 10/19/2012  |
| I0037333            | 10/30/2012  |
| I0038511            | 12/03/2012  |
| I0038681            | 12/17/2012  |
| I0039008            | 01/08/2013  |
| I0039137            | 01/11/2013  |
| I0039178            | 01/15/2013  |
| I0039302            | 01/17/2013  |
| I0039423            | 01/23/2013  |
| I0039570            | 01/25/2013  |
| I0039683            | 01/30/2013  |
| I0039756            | 02/05/2013  |
| I0039957            | 02/05/2013  |
| I0039979            | 02/05/2013  |
| I0040040            | 02/06/2013  |
| I0040783            | 03/04/2013  |
| I0040930            | 03/07/2013  |
| I0041231            | 03/18/2013  |
| I0041606            | 04/02/2013  |
| I0041628            | 04/03/2013  |
| I0041659            | 04/03/2013  |
| I0042040            | 04/15/2013  |
| I0042275            | 04/22/2013  |

We had no findings as the result of these procedures.

23. We compared the total revenues and expenditures reported on the Statement for the year ended June 30, 2013 with the budgeted amounts for the year ended June 30, 2013 provided by management.

Total revenue on the Statement was \$573,791 or 4.5% more than budgeted for the fiscal year ended June 30, 2013. The total expenditures on the Statement was \$463,033 or 3.6%, more than budgeted for the fiscal year ended June 30, 2013. No additional procedures were performed based on information provided.

24. We requested from management a list of all outside organizations not under the accounting control of The Citadel that have as one of their primary purposes the generation of resources for, or on behalf of, The Citadel's Intercollegiate Athletic Program or the promotion of this program. We also requested financial statements of identified outside organizations for the year ended June 30, 2013.

Management informed us that The Citadel Brigadier Foundation and The Citadel Football Association are the only outside organizations not under the accounting control of The Citadel that had as one of its primary purposes the generation of resources for, or on behalf of, The Citadel's Intercollegiate Athletic Program. Management furnished us copies of audited financial statements of The Citadel Brigadier Foundation for the year ended June 30, 2013. The Citadel Football Association does not produce separate audited financial statements. No additional procedures were performed based on information provided.

25. We requested from management a list of all expenditures made by outside organizations not under the accounting control of The Citadel for or on behalf of The Citadel's Intercollegiate Athletic Program or any of its employees.

Management informed us that no payments were made by outside organizations not under the accounting control of The Citadel or on behalf of The Citadel's Intercollegiate Athletic Program. No additional procedures were performed based on information provided.

26. We obtained from management the methodology for allocating overhead expense to the Athletic Department. We compared management's allocation and the Statement to determine if the method disclosed was consistent with the method described to us, and we recomputed the allocation based on management's methodology.

We found the allocated overhead amounts reported in Note 1 to the Statement consistent with the methodology provided to us.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenditures of The Citadel's Intercollegiate Athletics Program for the year ended June 30, 2013. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Visitors and management of The Citadel and is not intended to be and should not be used by anyone other than these specified parties.



Greenville, South Carolina  
December 18, 2013



The Citadel  
The Military College of South Carolina  
Intercollegiate Athletics Program

Statement of Revenues and Expenditures  
For the year ended June 30, 2013  
(Unaudited and prepared by management)

|   | Football   | Basketball | Other<br>Sports | Non-<br>Program<br>Specific | Total      |
|---|------------|------------|-----------------|-----------------------------|------------|
| <b>Revenues:</b>                                      |            |            |                 |                             |            |
| Ticket sales  | \$ 622,757 | \$ 64,625  | \$ 63,221       | \$ -                        | \$ 750,603 |
| Student fees  | 1,356,978  | 639,777    | 1,327,666       | 2,144,228                   | 5,468,649  |
| Guarantees  | 375,000    | 195,000    | -               | -                           | 570,000    |
| Contributions   | 490,560    | 154,313    | 777,326         | 188,848                     | 1,611,047  |
| Direct institutional support                          | 1,494,004  | 340,236    | 1,673,269       | 282,958                     | 3,790,467  |
| NCAA/conference distributions                         | 12,500     | 52,610     | -               | 490,586                     | 555,696    |
| Program sales, concessions, novelty sales and parking | 52,548     | 2,240      | 13,706          | 8,017                       | 76,511     |
| Royalties, advertisements and sponsorships            | 35,364     | 2,110      | 66,770          | 275,400                     | 379,644    |
| Other revenue   | 27,686     | 200        | 753             | 160,757                     | 189,396    |
| Total operating revenue                               | 4,467,397  | 1,451,111  | 3,922,711       | 3,550,794                   | 13,392,013 |
| <b>Expenditures:</b>                                  |            |            |                 |                             |            |
| Athletics student aid                                 | 2,143,864  | 513,653    | 2,700,022       | 390,791                     | 5,748,330  |
| Guarantees  | 25,000     | 8,502      | 7,897           | -                           | 41,399     |
| Coaching salaries and benefits                        | 373,807    | 241,498    | 680,313         | -                           | 1,295,618  |
| Assistant Coaching salaries and benefits              | 684,517    | 237,943    | 371,471         | -                           | 1,293,931  |
| Support staff/administrative salaries and benefits    | 16,681     | 27,394     | -               | 1,698,668                   | 1,742,743  |
| Recruiting  | 121,455    | 84,935     | 58,836          | 200                         | 265,426    |
| Team travel   | 186,211    | 131,346    | 401,820         | -                           | 719,377    |
| Equipment, uniforms and supplies                      | 267,289    | 70,038     | 205,306         | -                           | 542,633    |
| Game expenses   | 57,536     | 71,725     | 89,698          | -                           | 218,959    |
| Fundraising, marketing and promotion                  | 6,291      | 9,463      | 6,200           | 169,605                     | 191,559    |
| Direct facilities, maintenance and rental             | 3,547      | 894        | 10,846          | 444,651                     | 459,938    |
| Medical expenses and medical insurance                | 11,395     | 2,420      | 5,981           | 71,234                      | 91,030     |
| Memberships and dues                                  | 4,107      | 12,475     | 2,414           | 29,518                      | 48,514     |
| Other operating expenses                              | 112,819    | 21,590     | 98,017          | 355,190                     | 587,616    |
| Total operating expenditures                          | 4,014,519  | 1,433,876  | 4,638,821       | 3,159,857                   | 13,247,073 |
| Excess of revenues over (under) expenditures          | \$ 452,878 | \$ 17,235  | \$ (716,110)    | \$ 390,937                  | \$ 144,940 |

**The Citadel  
The Military College of South Carolina  
Intercollegiate Athletics Program  
Notes to Statement of Revenues and Expenditures  
For the year ended June 30, 2013  
(Unaudited and Prepared by Management)**

**1. Allocation of Overhead**

The Citadel prepares an annual study of overhead to charge to all of its auxiliary activities. The overhead charge to the Athletic Department is derived from that study. The study is obtained as part of The Citadel's regular financial audit, and is comprised of an allocation of various institutional costs.

**2. Contributions**

The Citadel received one contribution from an outside organization that exceeded ten percent of all contributions to the Athletic Department during the year ended June 30, 2013. The contribution was received from The Citadel Brigadier Foundation in the amount of \$1,175,000 and is restricted for scholarships.

**3. Direct Institutional Support**

The Citadel provided \$3,790,467 of direct institutional support to the Athletic Department in fiscal year 2013. This total was composed of transfers from auxiliaries of \$1,177,663, transfers from unrestricted gift funds of \$350,000, and waived fees of \$2,262,804.

**4. Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The Citadel follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. Beginning in fiscal year 2012, assets are depreciated based on the number of months the asset was in service during the fiscal year. Depreciation expense is not included in the Statement of Revenues and Expenditures.

The Citadel capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects; therefore, asset values in capital assets include such interest costs. There was no capitalized interest on athletics capital projects in 2013.

## 5. Capital Expenditures

The Citadel incurred \$26,816 of athletics capital expenditures during 2013. All capital expenditures were equipment and not included in the Statement of Revenue and Expenditures.

## 6. Deferred Revenue

During fiscal year 2007 The Citadel entered into a ten year contract with Daktronics Inc. under which Daktronics agreed to provide and install certain equipment and concourse elements at Citadel athletic facilities in exchange for advertising rights at athletic events. Daktronics furnished a scoreboard system valued at \$1,700,000 in fiscal year 2007 and anticipates furnishing additional equipment in future years, including a scoreboard for the basketball arena and an electronic billboard for the football stadium. The contract with Daktronics establishes an annual revenue threshold. When advertising revenues exceed the threshold, Daktronics and The Citadel split the excess revenue equally. If athletic advertising does not meet the threshold in any year, that deficit is carried over to the next year and added to the threshold for the following year. Should a deficiency remain at the end of the ten year contractual period, the deficiency will be carried over to the next contract period if the contract with Daktronics is extended. If another contractor is chosen management anticipates that contractor will pay The Citadel the amount of the deficiency and The Citadel will pay that amount to Daktronics. Management believes that the contract is structured so that The Citadel is not required to fund any deficiency that may exist at the end of the 10 year contract period.

The Citadel treated this transaction as a sale of future revenues. The Citadel will not maintain an active involvement in the future generation of advertising revenues. The Citadel is amortizing the deferred revenues in a straight line fashion over the ten years of the contract period. In fiscal year 2013, \$170,000 of the deferred amount was recognized as revenue. \$170,000 of the remaining Daktronics' deferred revenue is recorded as current deferred revenue, and the remaining \$340,000 is recorded as noncurrent deferred revenue.

## 7. Intercollegiate Athletics Program Debt

|           | 2003 Athletic<br>Facility Bonds | 2005 Athletic<br>Facility Bonds | 2010 Athletic<br>Facility Bonds | Total                |
|-----------|---------------------------------|---------------------------------|---------------------------------|----------------------|
| 2014      | \$ 233,933                      | \$ 687,879                      | \$ 360,000                      | \$ 1,281,812         |
| 2015      | 243,735                         | 717,003                         | 390,000                         | 1,350,738            |
| 2016      | 253,948                         | -                               | 425,000                         | 678,948              |
| 2017      | 264,588                         | -                               | 455,000                         | 719,588              |
| 2018      | 275,674                         | -                               | 490,000                         | 765,674              |
| 2019-2023 | -                               | -                               | 2,990,000                       | 2,990,000            |
| 2024-2028 | -                               | -                               | 4,210,000                       | 4,210,000            |
| 2029-2031 | -                               | -                               | 3,325,000                       | 3,325,000            |
| Total     | <u>\$ 1,271,878</u>             | <u>\$ 1,404,882</u>             | <u>\$ 12,645,000</u>            | <u>\$ 15,321,760</u> |